

Gamuda Berhad

(5398 | GAM MK) Main | Construction

Overseas Contribution Lifts FY23

KEY INVESTMENT HIGHLIGHTS

- FY23 core net profit grew +16.3% to RM860.8m, slightly above house and consensus estimates
- 48.6% of group's core earnings contributed from overseas operations
- Order book remains strong at RM20.6b, earnings visibility up to FY26/27
- Expecting 6 large project wins in the next 3 to 15 months, including MRT3 and a project in Taiwan
- Maintain BUY with an upgraded TP of RM5.38

Above expectations. Gamuda Bhd's ended FY23 on a strong note with a core net profit of RM860.8m, which came in +16.3% stronger over FY22, on the back of a +68.0% stronger revenue at RM8.23b. The bottom line exceeded both ours and street's expectations only slightly by +5.7% and +6.3% respectively. Both the group's construction and properties' segments contributed to the better performance, especially from their overseas operations that contributed 48.6% of the group's core net profit.

Margins to improve in future. The group's construction revenue rose +79.4% to RM6.19b in FY23, while its PBT grew +22.2% to RM687.9m, both all-time high levels. The PBT margin however, slipped from 16.3% to 11.1% mainly due to slightly lower overseas margins. Moving forward, management guided that plans are in place to leverage on its Malaysian resources, which will assist in margin enhancement for its Australian operations in the coming quarters.

Stronger property results. Revenue from the property segment came in stronger by +4.5% to RM2.85b while its PBT grew +2.1% to RM455.2m, both also at record high levels. PBT margin was almost unchanged at 16.0% as compared to 16.3% in FY22. These were driven largely by its projects in Vietnam and its quick turnaround projects (QTPs). The division recorded RM4.1b of presales in FY23, of which RM2.1b are from Malaysia and the remaining RM2.0b from overseas. Total unbilled sales currently stand at RM6.7b. For FY24, management targets to double the revenue for the segment to RM6b, as it ramps up progress in its markets such as Vietnam, Australia and the United Kingdom.

Order book remains strong. The group's unbilled construction order book stands at RM20.6b as at Jul-23, out of which RM11.4b or 55% come from Australia alone. In Malaysia, the group has RM5.9b (28.6%), RM1.9b (9.2%) in Taiwan and RM1.4b (6.8%) in Singapore, providing it strong earnings visibility up to FY26/FY27. Management remain optimistic on project wins in both its domestic and overseas markets, targeting up to six large project wins over the next three to 15 months. Among these are the MRT3 tunnelling package and one of two projects that Gamuda is tendering for in Taiwan. Management's target is to secure RM25b of new contracts in FY24 and FY25.

Maintain BUY

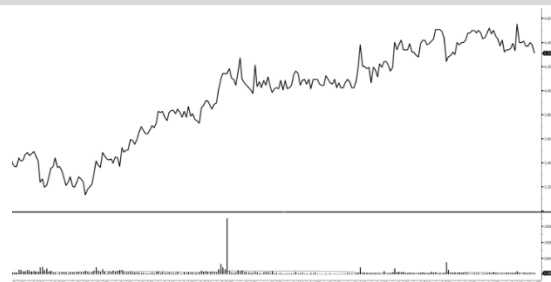
Revised Target Price: RM5.38

(Previously RM5.04)

RETURN STATISTICS

Price @ 27 th Sept 2023 (RM)	4.31
Expected share price return (%)	+24.83
Expected dividend yield (%)	2.78
Expected total return (%)	+27.61

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.8	-3.5
3 months	-2.0	-6.4
12 months	23.2	20.0

INVESTMENT STATISTICS

FYE July	2023A	2024E	2025F
Revenue	8,233.6	11,569.0	12,154.4
Operating Profit	922.8	1,654.4	1,685.2
Profit Before Tax	1,067.6	1,563.4	1,589.2
Core Net Profit	860.8	1,085.9	1,137.2
Core EPS	33.6	42.4	44.4
DPS (sen)	50	12	12
Dividend Yield	9.9%	2.8%	2.8%

KEY STATISTICS

FBM KLCI	1,440.11
Issue shares (m)	2553.93
Estimated free float (%)	49.04
Market Capitalisation (RM'm)	11,006.49
52-wk price range	RM3.00 - RM4.33
3-mth average daily volume (m)	10.12
3-mth average daily value (RM'm)	41.17
Top Shareholders (%)	
Employees Provident Fund Board	14.81
Amanah Saham Nasional Bhd	13.79
KWAP	5.26

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A role in Penang LRT. Management confirmed that Gamuda will have a role to play in the Penang LRT project, based on its discussions with various ministries, though the exact role and the structure that the project will be carried out is still unclear at the moment. Recall that the project is part of the Penang Transport Mater Plan (PTMP) and SRS Consortium Sdn Bhd is the project delivery partner of the PTMP. Gamuda holds a 60% stake in SRS Consortium.

Likely to participate in KL-SG HSR. Management indicated that it would likely participate in the proposed revival of the KL-Singapore High Speed Rail (HSR) project, though it is not currently in its order book win projections. Recall that MyHSR Corporation Sdn Bhd, the government's project delivery vehicle for the project, is currently undertaking a request for information (RFI) for the proposed revival of the KL-SG HSR, of which the deadline is Nov 15 this year. We have previously mentioned that the earliest timeline to determine the certainty that the project would be carried out could be by 2H24 before tenders are called, if any.

Earnings estimates. We are retaining our top line estimates for Gamuda but we revise our bottom line estimates upwards by +30.4% and +31.6% for FY24F and FY25F respectively to RM1.09b and RM1.14b, assuming better margins moving forward, especially from its overseas operations.

Target price. As such, we are also upgrading our TP to RM5.38, as we peg a PER of 12.7x based on +1SD above its three-year mean to the group's FY24F EPS of 42.4 sen.

Maintain BUY. Gamuda remains our top pick for the construction sector, backed by its strong overseas expansion plan in both construction and properties, which are now contributing almost half of the group's core net profit. Its bulging order book provides earnings visibility at least over the next three financial years and in Malaysia, its prospects remain bright as we can expect Gamuda's involvement in the MRT3 and Penang LRT projects. In Australia, the newly acquired DT Infrastructure places Gamuda in a sweet spot to undertake more and larger infrastructure projects, especially rail. All factors considered, we are maintaining our **BUY** recommendation on Gamuda. 

GAMUDA BHD: 4QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	Q423	Q323	Q422	QoQ	YoY	12MFY23	12MFY22	YoY
Income Statement								
Revenue	3,416.8	2,067.1	1,854.7	65%	84.2%	8,233.6	4,902.1	68%
Profit from operations	344.5	254.8	235.8	35%	46%	922.8	634.6	45%
Finance costs	(25.7)	(7.5)	(20.2)	-241%	-28%	(88.4)	(86.7)	-2%
Share of profit of associated companies	1.8	2.4	0.3	-25%	565%	6.1	6.0	1%
Share of profit of joint ventures	22.7	59.8	110.3	-62%	-79%	227.1	343.8	-34%
Profit before tax	343.3	309.5	326.1	11%	5%	1,067.6	897.8	19%
Tax expense	(89.8)	(81.9)	(63.6)	-10%	-41%	(230.9)	(156.4)	-48%
Profit from continuing operations	253.5	227.5	262.5	11%	-3%	836.7	735.2	14%
Profit from discontinued operations	0.0	0.0	(8.1)	-	100%	57.2	66.6	-14%
Minority interest	1.8	4.2	(9.0)	-57%	120%	22.0	2.1	947.0%
Reported net profit	251.7	223.4	264.3	13%	-4.7%	860.1	757.6	13.5%
Core net profit	253.1	223.3	253.5	13%	-0.2%	860.8	740.2	16.3%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	3,517.2	5,089.5	8,233.6	11,569.0	12,154.4
Operating profit	586.1	685.3	922.8	1,654.4	1,685.2
Finance costs	(114.5)	(93.8)	(88.4)	(311.0)	(316.0)
Profit before tax	786.3	1,008.2	1,067.6	1,563.4	1,589.2
Tax	(154.1)	(168.9)	(230.9)	(497.5)	(472.1)
Net profit	588.3	806.2	860.1	1,085.9	1,137.2
Core net profit	583.7	805.8	860.8	1,085.9	1,137.2
Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
Property, plant and equipment	960.7	1,095.5	1,701.7	1,735.7	1,787.8
Land held for property development	3,305.1	3,507.9	3,769.1	3,721.5	3,833.2
Non-current assets	8,528.3	7,119.3	8,674.3	8,660.7	8,824.5
Cash	2,656.7	2,794.3	3,169.5	2,875.3	3,019.1
Trade debtors	1,746.5	2,478.1	2,904.5	5,125.1	5,347.9
Current assets	9,895.1	11,068.2	15,227.5	17,434.5	17,821.1
Trade creditors	1,745.6	2,677.1	3,810.6	5,206.1	5,469.5
Short-term debt	1,452.2	1,535.3	1,409.7	1,238.5	1,244.3
Current liabilities	4,480.9	5,887.2	6,958.6	8,182.8	8,452.0
Long-term debt	3,775.6	3,244.7	5,514.0	3,550.9	3,618.0
Non-current liabilities	4,426.8	3,677.0	5,985.4	4,022.3	4,089.4
Share capital	3,620.9	3,723.2	4,078.1	3,723.2	3,723.2
Retained earnings	5,542.6	6,177.6	6,744.3	6,427.1	6,555.7
Equity	9,515.7	10,249.9	10,957.8	13,890.1	14,104.2
Cash Flow (RM'm)	2021A	2022A	2023A	2024E	2025F
PBT	786.3	1,008.2	1,067.6	1,563.4	1,589.2
Depreciation & amortisation	225.2	240.9	386.3	295.0	312.5
Changes in working capital	569.6	519.2	646.9	1,052.8	1,033.1
Operating cash flow	971.6	444.2	(588.9)	(274.3)	(276.5)
Capital expenditure	(457.1)	(523.0)	(2,296.8)	(200.0)	(200.0)
Investing cash flow	(819.2)	498.7	837.3	250.0	250.0
Debt raised/(repaid)	(251.3)	(239.6)	2,053.6	(259.1)	(272.1)
Equity raised/(repaid)	(122.4)	(88.0)	(1,060.7)	(306.0)	(306.0)
Dividends paid	(370.2)	(319.6)	694.4	(565.1)	(578.1)
Financing cash flow	(217.8)	623.3	942.8	(589.4)	(604.6)
Net cash flow	1,518.8	1,301.3	1,908.4	2,830.6	4,479.8
Beginning cash flow	1,301.3	1,984.7	2,830.6	2,241.2	3,875.2
Ending cash flow	786.3	1,008.2	1,067.6	1,563.4	1,589.2
Profitability Margins	2021A	2022A	2023A	2024E	2025F
Operating profit margin	16.7%	13.5%	11.2%	14.3%	13.9%
PBT margin	22.4%	19.8%	13.0%	13.5%	13.1%
PAT margin	16.7%	15.8%	10.4%	9.4%	9.4%
Core PAT margin	16.6%	15.8%	10.5%	9.4%	9.4%
Operating profit margin	16.7%	13.5%	11.2%	14.3%	13.9%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology